Sun Life Malaysia Balanced Stable Fund

January 2024

FUND OBJECTIVE

To provide a mixed exposure into equities and bonds, with higher allocation in bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	1.22 million units (31 January 2024)	Fund Size	RM2.14 million (31 January 2024)
Unit NAV	RM1.7514 (31 January 2024)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	25% FBM100 + 75% 12 month FD
Taxation	8% of annual investment income	Other Charges	Inclusive of auditor fee
Risk Profile	Suitable for investors: ▪ Want a diversified portfolio in equities but higher exposure in bonds ▪ Prefer less volatile performance and want slightly higher gains than bond return	Fees	The fund will feed into Sun Life Malaysia Growth Fund and Sun Life Malaysia Conservative Fund which applies the following fund management charges: ▪ Sun Life Malaysia Growth Fund: 1.5% p.a. ▪ Sun Life Malaysia Conservative Fund: 1.0% p.a. ▪ There are no other fund management charges on this fund

ASSET ALLOCATION

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund
75.00%	25.00%

WHERE THE FUND INVESTS

Sun Life Malaysia Conservative Fund	Sun Life Malaysia Growth Fund	Cash	Total
84.83%	28.59%	-13.42%	100.00%

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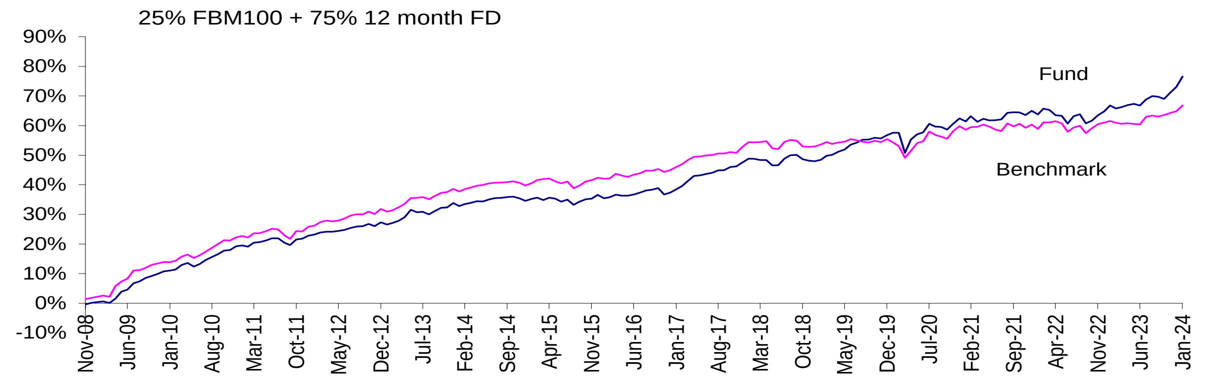
PERFORMANCE RECORD



%	YTD	1M	1-Year	3-Years	5-Years	10-Years	Since Inception
Fund*	2.06	2.06	5.89	9.39	18.95	32.94	76.58
Benchmark	1.16	1.16	3.26	5.17	8.57	21.09	66.79

** Calculation of past performance is based on NAV-to-NAV*

Notice: Past performance of the fund is not an indication of its future performance which may differ. The fund performance is not guaranteed.

FUND MANAGER'S COMMENTS

In January 2024, the Fund's performance increased by 2.06%, outperforming the benchmark by 0.90%.

KLCI was up 4% or 58.3pts in January, closing the month at 1,512.98 pts. This marked the 4th consecutive month of gains, with Malaysia outperforming most ASEAN markets. Sentiment was lifted by Fed's communication on interest rates given the recent cooling inflation and economic data out of the US. The weaker Dollar and lower treasury yield that ensued favored EM. Utilities, Commodities, Telcos and Financials topped the gainers list. Within the broader market, Energy, Construction and Property did well, while Tech languished despite the sentiment on Fed rates.

Malaysia's PMI rose to a 16-month high of 49 pts versus 47.9 pts in December. According to S&P Global, overall optimism of Malaysian manufacturers picked up amid signs of demand improvement. Output and new orders moderated only modestly, while firms also saw smaller reductions in new export orders and backlogs. Notably, firms also reported further softening in price pressures, while job shedding was minimal. Manufacturers remain optimistic of demand conditions over the course of the next 12 months. The latest PMI suggests a slight pickup in GDP growth. To recap, BNM projects GDP to grow 4-5% in 2024, from an estimate of 3.8% in 2023.

BNM maintained OPR at 3.00% in recent MPC meeting. We expect the OPR to maintain in 2024 given muted inflation and modest economic growth. Inflation was at 1.5% in December, significantly undershooting BNM's revised target of 2.5-3.0% for 2023. Given the low base, there appears to be sufficient headroom to central bank's 2.1-3.6% CPI forecast for 2024 with the impending cut back in subsidies.

In January, the Malaysian Government Securities ("MGS") benchmark yield curve moved mostly flat to lower during the month, except for the 10-year MGS which corrected its inverted position against the 7-year benchmark after rallying significantly during the past two months. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year benchmarks closed at 3.45% (-8bps), 3.61% (-3bps), 3.73% (-1bps), 3.81% (+7bps), 3.98% (unch.), 4.08% (-4bps) and 4.22% (-4bps), respectively in January.

Meanwhile, the MGII yield curve movement were mostly mixed, with weakness seen particularly on the 10-, 15- and 20-year benchmarks amid profit taking activities. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGII closed at 3.46% (-5bps), 3.61% (-3bps), 3.78% (-1bps), 3.84% (+4bps), 3.97% (+1bps), 4.13% (+3bps) and 4.32% (-4bps) respectively in January.

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RISKS

All investment carries some form of risks. The potential key risks include but are not limited to the following:

Market risk	Market risk is the risk of negative movement that affects the price of all assets in a particular capital market. The factors influencing the performance of the markets include: • Economic and financial market conditions • Political change • Broad investor sentiment • Movements in interest rate and inflation • Currency risks Stock and/or securities values fluctuate in response to the activities and performance of individual companies and general market or economic conditions. Such movements in the underlying values of the share of the investment portfolio will cause the NAV or prices of units to fall as well as rise. Market risk is mitigated through careful selection of securities and diversification through spreading of risk across a basket of assets and/or sectors.
Interest rate risk	Interest rates are inclined to fluctuate over time. A rise in the general level of interest rates will result in a decline of the value of all bonds and fixed interest securities. Hence a bond fund's NAV will most probably decrease with the rise of interest rates. Maintaining an appropriate diverse mix of assets with different yield and maturity profiles will lessen the impact of interest rate risk.
Liquidity risk	Liquidity risk is defined as the ease with which a security can be sold at or near its fair value depending on the volumes traded on the market. Liquidity risk is mitigated through the selection of stocks with an active trading volume in the open market. This ensures that exit strategies can be executed with little/minimal impacts to price fluctuations.
Company or security specific risk	There are many specific risks, which apply to individual companies or securities. Examples include the possible effect on a company of losing a key executive or the unforeseen entry of a new competitor into the market. The risk is mitigated by conducting in-house periodic reviews and analysis. In-house analysis is then supplemented by periodic reviews from rating agencies and market analysts.
Credit risk	Credit risk refers to an issuer's ability to make timely payments of profit and principal. In the event that the issuer of the instrument is faced with financial difficulties, leading to a decrease in their credit worthiness (i.e Bond prices will change/drop in the event of rating downgrade) and default in the payment of profit and principal, the value of the fund may be adversely affected. Credit risk is mitigated by conducting in-house periodic reviews and analysis. In-house analysis is then supplemented by periodic reviews from rating agencies and market analysts.

Source : Principal Asset Management Bhd
Date : 31 January 2024